

August 5, 2022

Office of the Comptroller of the Currency (OCC)
Federal Deposit Insurance Corporation (FDIC)
Federal Reserve Board of Governors

Re: CRA - Comments in response to the Notice of Proposed Rulemaking
OCC Docket ID OCC-2022-0002;
FDIC RIN 3064-AF81;
Federal Reserve Docket No. R-1769 and RIN 7100-AG29

To Whom It May Concern:

The Community Development Alliance (CDA) grateful for the opportunity to provide our comments on your proposed Reinvestment Act (CRA) rules. While CRA was enacted in response to decades of hurtful, and illegal segregation, and while the enforcement of CRA has helped to inspire many banks to implement lending and financial products, policies, and programs that have been immensely helpful to the communities across the country, it is critical for CRA to be updated and strengthened.

CDA is a collaborative of housing funders, practitioners and allies that advance racial equity by providing a quality affordable home for every Milwaukeean. CRA is a critical tool to addressing racial equity in Milwaukee, where we have lost 1,000 homeowners of color every year over the last decade.

CDA believes that the following reforms will significantly improve CRA and contribute towards racial equity in Milwaukee.

Despite banks' progress in serving low and moderate income communities and communities of color, there is still much work to be done. While the Notice of Proposed Rulemaking (NPR) contains some positive suggestions, we believe that the proposal will not achieve the impact necessary to achieve racial and economic justice unless critical issues are addressed. We agree with the National Community Reinvestment coalition (NCRC) and the Metropolitan Milwaukee Fair Housing Council, and fair lending advocates from across the country, that CRA rules must do the following:

Special Purpose Credit Programs (SPCP). Recognizing SPCP programs as part of the CRA score could assist thousands of families access mortgage lending that otherwise would be excluded. The final rule should explicitly recognize the importance of SPCPs as a critical way for banks to help meet the local credit needs of communities of color, and SPCPs should garner CRA credit and positive impact points that enhance a bank's CRA rating, as should all activities that close wealth gaps for racial, ethnic, national origin, Limited English Proficient, LGBTQ and other underserved groups.

Race and CRA. CRA Performance Evaluations must be structured to effectively require banks to serve all communities, especially borrowers and communities of color. Closing the racial wealth

gap will make the nation and the economy substantially stronger, elevate the Gross Domestic Product and give the U.S. a more strategic competitive advantage. Examiners should review bank performance in meeting the credit needs of communities of color, similar to how banks are evaluated on their performance in meeting the needs of low and moderate income (LMI) borrowers and communities.

Mortgages. Regulators should consider providing extra credit for originating mortgages to prospective Community Land Trust homeowners whose homes are on CLT properties. These properties are by design, permanently-affordable to the occupants, and help to fight displacement.

Community participation. The agencies should actively solicit community stakeholder input on the performance of banks during CRA exams and bank mergers.

Community development.

Affordable housing. Affordable housing remains a perennial need and priority for our City and for most of the State of Wisconsin. Mission-driven and community-based organizations have developed impressive capacity to use the scarce resources available to create affordable homes. However, the proposal threatens to damage one of the key tools in this limited affordable housing development infrastructure by doing away with the separate Community Development (CD) lending and CD investment tests. By combining CD lending and CD investing, we are greatly concerned that banks will retreat from Low Income Housing Tax Credits (LIHTC), which can be more complex and provide a lower rate of return than CD lending. Any decrease in appetite for LIHTC will likely result in fewer affordable housing deals, as well as higher costs that will translate into decreased affordability for projects that do get built. We urge the regulators to retain separate evaluations for CD lending and CD investing. Further, positive impact points should be given for projects that have deeper affordability, longer affordability terms and covenants, or are in higher opportunity areas.

Anti-displacement. We appreciate the proposal's attempt to address displacement concerns by requiring that rents will remain affordable in order to qualify for CRA credit. But the agencies need to go further to discourage banks from financing displacement. While the proposal appears to refuse CRA credit for certain CD activities if they result in displacement, this requirement should be extended to all community development activity, especially affordable and Naturally Occurring Affordable Housing (NOAH) housing analysis.

Regulations should not allow CRA community development credit unless banks can demonstrate that landlord borrowers are complying with tenant protection, habitability, local health code, civil rights, credit reporting act, UDAAP and other laws. Banks should adopt procedures such as the California Reinvestment Coalition's Anti Displacement Code of Conduct and engage in due diligence to determine if there are any concerns about the loan applicants relating to eviction, harassment, complaints, rent increases, or habitability of their properties.

It is not enough to cease offering CRA credit for harmful products. Banks must be penalized for harm. Bank regulators should conduct extensive outreach to community groups and engage in community contacts to investigate whether landlord borrowers are exacerbating displacement pressures or harming tenants.

Positive impact points should be given for particularly responsive CD activities that fight displacement, such as support for property purchases by Community Land Trusts and other bona fide, mission-driven nonprofit organizations of rental housing that can be taken off of the

speculative market leveraged by policies such as Tenant Opportunity to Purchase Acts (TOPA), Community Opportunity to Purchase Acts (COPA), and other initiatives such as California's state law that provides CLTs, nonprofits and prospective owner occupants the right to match an investor's high bid at foreclosure auction to secure a property for the common good, not personal profit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Teig Whaley-Smith', with a stylized, flowing script.

Teig Whaley-Smith
Chief Alliance Executive